

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Southern Lakes Reg Metro Parks & Rec Comm	County Genesee
Audit Date 12/31/05	Opinion Date 4/21/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Date 6/16/06	

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission**

Genesee County, Michigan

Financial Report

With Supplemental Information

December 31, 2005

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission
Financial Report
December 31, 2005**

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Introductory Section

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission
List of Board Members**

Alberta Martin	Chairperson
David Osborn	Vice Chairperson
Terry Wright	Secretary
Rick Selley	Treasurer
Justin Sprague	Commissioner
Suzanne Lossing	Commissioner

Financial Section

Independent Auditors' Report

Southern Lakes Regional Metropolitan Parks and Recreation Commission Board
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (Commission), as of and for the year ended December 31, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Lakes Regional Metropolitan Parks and Recreation Commission, as of December 31, 2005, and the respective changes in financial position where applicable, thereof.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PLANTE & MORAN, PLLC

April 21, 2006

Management's Discussion and Analysis

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission
Management's Discussion and Analysis**

Our discussion and analysis of the Southern Lakes Regional Metropolitan Parks and Recreation Commission's (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2005:

- The Commission's fund balance decreased only \$2,605.
- Total net assets related to the Commission's governmental activities increased by \$13,868. However, the unrestricted portion of the net assets decreased by \$2,605.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. The longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements.

The Commission as a Whole

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	<u>2005</u>	<u>2004</u>
Capital assets	\$ 40,405	\$ 23,932
Current assets	<u>602,599</u>	<u>546,282</u>
Total assets	<u>643,004</u>	<u>570,214</u>
Current liabilities	<u>474,105</u>	<u>415,183</u>
Net assets:		
Invested in capital assets, net of related debt	40,405	23,932
Unrestricted	<u>128,494</u>	<u>131,099</u>
Total net assets	<u>\$168,899</u>	<u>\$155,031</u>

The governmental net assets increased 9 percent from a year ago – increasing from \$155,031 to \$168,899.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – decreased by \$2,605 for the governmental activities. This represents a decrease of approximately 2 percent. The current level of unrestricted net assets for our governmental activities stands at \$128,494, or about 19 percent of expenditures.

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	<u>2005</u>	<u>2004</u>
Revenue		
Program revenue:		
Charges for services	\$230,715	\$177,185
Operating grants	19,000	26,000
General revenue:		
Property taxes	402,386	381,842
Investment earnings	7,709	2,753
Miscellaneous	22,793	331
Total revenue	<u>682,603</u>	<u>588,111</u>
Program Expenses		
Recreation	<u>668,735</u>	<u>575,028</u>
Change in Net Assets	<u>\$ 13,868</u>	<u>\$ 13,083</u>

The commission's total governmental revenues increased by \$94,492. The increase in revenues is due to increase in charges for service, property taxes interest income and other revenues. The charges for service, which are the fees charges for the programs, increased due to the increase in participation and new programs. The property taxes increased due to the increase in the taxable value. The interest income increased due to the interest rates are on the rise. The other revenue is revenue received as contributions that are for a specific program.

Expenses increased by \$93,707 during the year. The increase is related to increase in wages and related benefits, a full year of rent, and increase in program expenses related to new programs.

The Commission's Funds

Our analysis of the Commission's only fund, General Fund, begins on page 7.

General Fund Budgetary Highlights

Over the course of the year, the Commission amended the budget to take into account events during the year. The most significant change was a decrease to the revenue of \$20,000 and a decrease to the expenditures of \$23,480. This was a result of a decrease in the number of programs and participation. Overall, the Commission stayed within budget expect for capital outlay and grants to loose senior center. The General Fund's fund balance decreased \$2,605 from \$131,099 to \$128,494.

Capital Asset

At the end of 2005, the Commission had \$40,405 invested in capital assets, which include recreation equipment and office equipment.

Profile of the Southern Lakes Regional Metropolitan Parks & Recreation District (SLP&R)

SLP&R was established in November of 2000 by a vote of the residents of Fenton Township and the Cities of Linden and Fenton. SLP&R is legally established under Michigan Compiled Law (MCL) 312 of 1929. SLP&R service area is located in the southern part of Genesee County. SLP&R is supported by an operating millage of .4 mills adjusted for Headlee amendment rollbacks (on both real and personal property) and program/activity fees. In addition SLP&R staff pursues local, state and federal grant dollars for a variety of programs and projects. MCL 312 also empowers SLP&R to bond, and acquire property for the purpose of creating and managing a system of park systems.

Policy-making authority is vested in a board consisting of six commissions – two appointed from each municipality. The board is responsible for adopting the annual budget, appointing committees, and hiring the Executive Director. The Executive Director is responsible for carrying out the policies of the board, for overseeing the day-to day operations of SLP&R and for hiring employees. Commissioners are appointed on a non-partisan basis and serve without pay. Board members serve two year staggered terms, with two board members appointed every two years by the municipal governments they hold residency in. Elected officials and employees of the representative governments may not be appointed to the Commission.

SLP&R provides recreation, athletic, enrichment and cultural programs to residents. Nineteen percent of the annual millage levy provides financial support to the Loose Senior Center which is remitted directly to the Center.

The annual budget serves as the foundation for SLP&R's financial planning and control. The Executive Director presents this proposed budget to the board for review prior to October 31st. The board is required to adopt a final budget no later than sixty days prior to the start of their fiscal year, which is January 1st. The budget to actual comparisons are provided in this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which SLP&R operates.

Local Economy

SLPR currently enjoys a favorable economic environment and local indicators point to continued stability. The southern portion of Genesee County is the fastest growing part of the county and a desirable living area for professionals working in the Detroit/Ann Arbor areas. In addition more "big box" chains are establishing themselves along U.S.-23, which basically cuts the SLP&R service area in half. The large number of lake front homes provides a higher standard of living than may be seen in other parts of the county, thus providing a growing tax base with which to fund the district's services.

Long-term Financial Planning

The newness of SLP&R gives way for large growth opportunities. Since 2000 SLP&R has focused its attention on the development of recreation and enrichment programming, special seasonal events and cooperative endeavors with local service clubs and youth organizations. SLP&R will continue to develop new programming as the market requires and has begun investing in park development and management. Management has identified that the local parks (currently managed and maintained by local municipalities) need modernization to meet the demands of its growing residency. SLP&R, through staff and board level visioning sessions, is in the first stages of developing a Parks & Facility Philosophy.

Cash Management Policies and Practices

The district has an approved Investment Policy that restricts investments to CD's in any of the three local banking establishments in the area. Management develops an operating budget based of the expected revenues of the upcoming fiscal year. Fund equity (or fund balance) is maintained at approximately 15 percent of the yearly operating budget. Designated funds for certain programs also exist in order to maintain start-up cash for yearly activities. Current returns on CD investments are approximately 2%.

Risk Management

Since its inception in 2000 SLP&R has put a portion of the millage collection into cash reserves. In addition SLP&R takes part in yearly visits from their workers compensation and liability carrier's risk management specialist. Staff also takes part in safety training that includes first-aid and adult/child CPR. As well SLP&R is part of the Lake Fenton school district safety plan management team.

Pension and Other Employee Benefits

SLP&R provides full time, salaried employees with a SIMPLE IRA, matching the employees' contribution of up to 3% of gross wages. The employees receive 3 – 6% of gross wages as an additional pension benefit in the form of additional compensation. Employees may select the financial institution of their choice with contributions made to their individual accounts biweekly.

SLP&R provides medical, dental, and vision benefits to full time, salaried employees.

Basic Financial Statements

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
December 31, 2005

	General Fund	Adjustments (Note II A)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 94,983	\$ -	\$ 94,983
Investments - certificate of deposit	78,520	-	78,520
Accounts receivable	19,550	-	19,550
Taxes receivable	409,546	-	409,546
Capital assets, net	-	40,405	40,405
	<hr/>		
Total assets	<u>\$ 602,599</u>	40,405	643,004
 Liabilities			
Accounts payable	\$ 42,511	-	42,511
Payroll taxes and other liabilities	3,493	-	3,493
Deferred revenue	428,101	-	428,101
	<hr/>		
Total liabilities	474,105	-	474,105
 Fund Balances/Net Assets			
Fund balance - designated for Jubil Eve	10,263	(10,263)	-
Fund balance - designated for youth football	2,075	(2,075)	-
Fund balance - undesignated	116,156	(116,156)	-
	<hr/>		
Total fund balances	128,494	(128,494)	-
	<hr/>		
Total liabilities and fund balances	<u>\$ 602,599</u>		
 Net Assets			
Invested in capital assets		40,405	40,405
Unrestricted		128,494	128,494
	<hr/>		
Total net assets		<u>\$ 168,899</u>	<u>\$ 168,899</u>

See notes to financial statements.

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
General Fund
Year Ended December 31, 2005

	General Fund	Adjustments (Note II B)	Statement of Activities
Expenditures/expenses:			
Recreation	\$ 685,208	\$ (16,473)	\$ 668,735
Program revenues:			
Charges for services- activity fees	230,715	-	230,715
Operating grants- United Way and other	19,000	-	19,000
Total program revenues	249,715	-	249,715
Net program expenses			(419,020)
General revenues:			
Property taxes	402,386	-	402,386
Investment earnings	7,709	-	7,709
Miscellaneous	22,793	-	22,793
Total general revenues	432,888	-	432,888
Excess (deficiency) of revenues over expenditures	(2,605)	2,605	-
Change in net assets	-	13,868	13,868
Fund balance/net assets:			
Beginning of the year - as restated	131,099	23,932	155,031
End of the year	\$ 128,494	\$ 40,405	\$ 168,899

See notes to financial statements.

Notes to Basic Financial Statements

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2005

I. Summary of significant accounting policies

The accounting policies of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (Commission) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Southern Lakes Regional Metropolitan Parks and Recreation Commission:

A. Reporting entity

The Southern Lakes Regional Metropolitan Parks and Recreation Commission was formed on November 20, 2000, by an agreement between the City of Fenton, Fenton Township, and the City of Linden, to provide and maintain recreational programs and facilities for citizens in the Southern Genesee County area.

The Commission is governed by a six-member Board. Two members are appointed by each of the governing bodies of the participating members.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Commission does not have any proprietary or fiduciary funds.

Governmental fund financial statements (i.e. the balance sheet and governmental statement of revenues, expenditures, and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: Interest associated with the current fiscal period.

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission reports the following governmental fund:

General Fund – The General Fund is the Commission's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to first apply restricted resources.

Property tax revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Commission's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Commission totaled \$1,042,569,147, on which taxes levied consisted of 0.3848 mills for operating purposes. This resulted in \$401,967 for operating. This amount is recognized in the respective General Fund financial statements as tax revenue.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, and short term investments with a maturity of three months or less when acquired. Investments are state at fair value.

2. Receivables and payables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

3. Capital assets

Capital assets, which include vehicles and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$2,500 for administrative equipment and \$2,000 for recreation equipment and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

3. Capital assets – (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Vehicles and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office equipment	7
Recreation equipment	7
Vehicles	5

4. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. There are no reservations of fund balance at December 31, 2005. Designations of fund balance represent tentative management plans that are subject to change.

5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Reconciliation of the fund balance as reported in the governmental balance sheet to the statement of net assets

Total Governmental Funds fund balance as reported in the Balance Sheet Governmental Funds	\$128,494
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>40,405</u>
Net assets – Governmental Activities	<u><u>\$168,899</u></u>

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2005

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ (2,605)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The details of this difference are as follows:

Capital outlay	32,537
Depreciation expense	<u>(16,064)</u>
Change in net assets – statement of activities	<u>\$ 13,868</u>

III. Stewardship, compliance, and accountability

Budgetary information

The Commission followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, a proposed operating budget was submitted to the Commission Board for the year commencing January 1. The operating budget, which is prepared on a basis consistent with generally accepted accounting principles, included total proposed expenditures, and the means of financing them, for the General Fund.
2. The budget was legally adopted on an activity basis by the Commission Board.
3. Any revisions that alter the expenditures of an activity of the General Fund must be approved by the Board.
4. Budget appropriations lapse at year end.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Commission Board.

Budget compliance

The Commission incurred expenditures in excess of the final budget as follows:

	Actual Over <u>Budget</u>
Recreation-Grants-Loose Senior Center	\$ 137
Capital Outlay	34,058

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2005

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of the United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Commission has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit. The Commission deposits and investment policies are in accordance with statutory authority.

The Commission cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At year end, the commission had \$82,707 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Commission evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Commission's name:

Repurchase Agreement	\$109,762	Counterparty
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Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2005

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Office equipment	\$ 22,111	\$ 13,728	\$ -	\$ 35,839
Recreation equipment	14,729	18,809	-	33,538
Vehicles	24,111	-	-	24,111
Total capital assets being depreciated	60,951	32,537	-	93,488
Less accumulated depreciation for:				
Office equipment	(10,554)	(6,163)	-	(16,717)
Recreation Equipment	(7,176)	(5,079)	-	(12,255)
Vehicles	(19,289)	(4,822)	-	(24,111)
Total accumulated depreciation	(37,019)	(16,064)	-	(53,083)
Total capital assets, being depreciated, net	23,932	16,473	-	40,405
Governmental activities capital assets, net	\$ 23,932	\$ 16,473	\$ -0-	\$ 40,405

C. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues of \$428,101 have been deferred.

D. Facilities

The Commission entered into a new lease agreement with Lake Fenton Schools in July 2005. The lease period is July 1, 2005 through June 30, 2008, renewable each January. Total rent expense was \$35,000 for 2005.

E. Retirement

The Commission provides a SIMPLE IRA plan for those employees that are eligible. There were four participants in the plan at December 31, 2005. The plan allows for the employees to defer income. The Commission made \$3,472 in contributions to the plan as of December 31, 2005.

F. Restatement of net assets

The net assets at December 31, 2004 for the governmental activities were restated for a correction in the recognition of property tax revenue. The Commission budgets for the use of the December 1 levy in the subsequent year. As a result, the levy should be deferred at December 31.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>Restated Amount</u>
Net assets	\$556,998	\$(401,967)	\$155,031

Required Supplementary Information

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2005

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property taxes	\$ 401,285	\$ 401,285	\$ 402,386	\$ 1,101
Local grants	28,000	12,000	19,000	7,000
Charges for services - fees	216,900	212,900	230,715	17,815
Interest and dividends	1,500	1,500	7,709	6,209
Other revenues	1,500	1,500	22,793	21,293
Total revenues	649,185	629,185	682,603	53,418
Expenditures:				
Current:				
Recreation:				
Program administration	318,788	321,308	313,882	7,426
Program activities	245,200	219,200	251,887	(32,687)
Grants-Loose Senior Center	76,244	76,244	76,381	(137)
Capital outlay	9,000	9,000	43,058	(34,058)
Total expenditures	649,232	625,752	685,208	(59,456)
Excess (deficiency) of revenues over expenditures	(47)	3,433	(2,605)	(6,038)
Fund balance at beginning of year	131,099	131,099	131,099	-
Fund balance at end of year	\$ 131,052	\$ 134,532	\$ 128,494	\$ (6,038)

Note: The budget is prepared on the same basis as generally accepted accounting principles.

Other Supplemental Information

Southern Lakes Regional Metropolitan Parks and Recreation Commission
General Fund
Schedule of Expenditures
Year Ended December 31, 2005

Recreation program administration:

Training/conferences	\$ 1,630
Professional fees	4,125
Equipment rental/lease	1,546
Travel	2,955
 Publishing	 19,758
Director wages	52,759
Secretary clerk salary	23,348
Administrative wages	27,484
Recreation program wages	8,291
 Arts coordinator wages	 30,259
Additional compensation	6,434
Postage	2,582
Office supplies	5,852
 Maintenance supplies	 784
Vehicle repair and maintenance	652
Membership and dues	2,028
Telephone	2,828
Advertising	6,167
 Bank charges	 1,140
Recreation equipment repair and maintenance	328
Office equipment repair and maintenance	621
Rent	35,000
FICA	14,931
 Retirement	 3,472
Life insurance	423
Medical insurance	42,154
Insurance-general	7,374
Workmen's compensation	5,403
Co-Sponsorship	3,554

Total recreation program administration	313,882
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Recreation program activities:

Advertising	3,407
Amusement park	6,779
Arts and crafts - adult	481
Arts and crafts - youth	2,911
Artist workshop	5,245

(continued)

Southern Lakes Regional Metropolitan Parks and Recreation Commission
General Fund
Schedule of Expenditures (continued)
Year Ended December 31, 2005

Recreation program activities: - (continued)

Basketball - adult	156
Basketball - youth	8,296
Cheerleading	12,714
Child development	3,515
Dance	14,823
Drama - youth	1,108
Football	43,450
Football - instructional	737
Flag football	7,853
Golf - youth	336
Golf - adult	6,854
Jubil Eve	32,230
Karate	10,713
Miscellaneous	34,253
Miscellaneous staff wages	4,037
Soccer - youth	6,327
Softball - youth	1,791
Special events	14,025
Swimming	3,758
Tennis-youth	668
Tennis-adult	1,136
United Way grant	10,771
Wrestling	5,342
Volleyball-adult	159
Volleyball-youth	8,012

Total recreation program activities	<u>251,887</u>
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Grants-Loose Senior Center	<u>76,381</u>
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Total current expenditures	<u>642,150</u>
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Capital outlay:

Program activities equipment	25,669
Program administrative equipment	<u>17,389</u>

Total capital outlay	<u>43,058</u>
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Total expenditures	<u><u>\$ 685,208</u></u>
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April 21, 2006

Commission Board
Southern Lakes Regional Metropolitan Parks and Recreation Commission
Genesee County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Southern Lakes Regional Metropolitan Parks and Recreation Commission for the year ended December 31, 2005, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable Condition- Cash Receipts system- Recently, management became aware of discrepancies in the daily cash receipt documentation and upon further investigation determined that an employee had taken various cash receipts totaling approximately \$1,700. The matter has been resolved with the termination of the employee and reimbursement of funds. The situation occurred due to a couple of circumstances. One contributing reason was that daily deposits were not being made resulting in multiple day receipts being included for a particular deposit. Multiple day receipt documentation made it sometimes difficult to reconcile. The other reason was that while management was reviewing each deposit made in total with cash receipt documentation, the important internal control procedure of comparing currency and check totals for agreement between deposit slips and cash receipt documentation was not being reviewed consistently. Management has since reviewed and strengthened the cash receipting procedures with which we concur. Among those improvements is a requirement to make daily deposits.

Recommendation: We recommend that management consistently review and compare for agreement the totals of the split between currency and check amounts of the deposit slips and the cash receipt documentation.

Other comments and recommendations

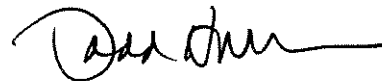
1. ACH - The Commission is utilizing automatic clearing house wire transfers to make payments for certain payroll related liabilities and withholdings. The Commission should have a policy authorizing the use of wire transfers to be in full compliance with state law.

2. Property Tax Form L-4029 "Tax Rate Request"- This is an annual form sent to the County requesting and disclosing the annual millage rate to be applied to properties for the Parks and Recreation millage. The form asks the Commission to document the expiration date of the millage. The 2004 form indicated that the millage was "perpetual". We have the understanding that the millage is a 20 year millage and as such the form should document the date of expiration.

This report is intended solely for the information and use of board of directors, management, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", with a long horizontal flourish extending to the right.

Tadd Harburn, CPA